

Message Text

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ACTION EB-08

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E.O. 11652: N/A

TAGS: ETRD, EEWT, ESTC, IT, VM

SUBJECT: PLANNED SALE BY U.S.-ITALIAN JOINT VENTURE TO VIET-NAM

REF: WHITING-BEIGEL TELECON 2/1/78

1. FIAT OFFICIALS HAVE INFORMED EMBASSY INFORMALLY AND CONFIDENTIALLY ABOUT UPCOMING SALE BY A FIAT-ALLIS COMPANY OF CONSTRUCTION MACHINERY AND SPARE PARTS WORTH ABOUT 30 MILLION DOLLARS UNDER AN ITALY-VIET NAM GOVERNMENT TO GOVERNMENT LINE OF CREDIT. SALES CONTRACT WAS SIGNED BY FIAT-ALLIS MACHINE MOVIMENTO TERRA S.P.A. OF LECCE, ITALY (A SUBSIDIARY OPERATING COMPANY OF FIAT-ALLIS B.V. HOLDING COMPANY OF THE NETHERLANDS) AND LONG CONG TY XUAT NHAP KHAU MAY (VIET NAM STATE ENTERPRISE FOR MACHINERY EXPORT AND IMPORT) OF HANOI ON DEC. 9, 1977. FIAT-ALLIS B.V. AND FIAT-ALLIS INC. (A DELAWARE CORPORATION) ARE COMPANION JOINT VENTURES IN WHICH FIAT HOLDS 77 PERCENT AND ALLIS-CHALMERS 23 PERCENT OF SHARES OF EACH JOINT VENTURE.

2. ACCORDING TO FIAT OFFICIALS SALES CONTRACT COVERS MACHINERY OF ITALIAN CONCEPTION, DESIGN AND
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MANUFACTURE ONLY, MAINLY CRAWLER-DOZERS IN 150 HORSE POWER RANGE PLUS IMPLEMENTS AND ATTACHMENTS FOR THEM. SALE WAS REPORTED TO FIAT-ALLIS B.V. BOARD OF DIRECTORS MEETING IN AMSTERDAM ON DEC. 22, 1977. U.S. MINORITY ON BOARD ASKED THAT NOTATION BE PLACED IN MINUTES INDICATING U.S. MINORITY MEMBERS DECLARED THEMSELVES TO BE OPPOSED TO SIGNATURE OF THE CONTRACT.

THEY REPORTEDLY RECOGNIZED ORALLY THAT SALE WOULD
TAKE PLACE DESPITE THEIR RECORDED OPPOSITION.

3. FIAT OFFICIALS TOLD EMBASSY THEY PLAN PROCEED
WITH SALE, BUT WANTED TO KNOW MORE ABOUT U.S. MINORITY'S
RATIONALE FOR OPPOSING IT. DUE TO URGENCY OF FIAT
REQUEST, EMBASSY PROCEEDING, FOLLOWING REFCOM, TO
INFORM FIAT THAT UNDER CURRENTLY APPLICABLE EXPORT
ADMINISTRATION CONTROLS, DEPARTMENT OF COMMERCE
LICENSE WOULD BE REQUIRED FOR ANY U.S. FIRM OR ITS
SUBSIDIARY TO SELL EQUIPMENT FOR USE IN VIET NAM, BUT
THAT FIAT-ALLIS B.V. MAY NOT BE CONSIDERED SUBSIDIARY
OF U.S. FIRM AS FIAT HAS MAJORITY AND CONTROLLING
INTEREST. EMBASSY ALSO STATING THAT IT WILL TRANSMIT
ANY FURTHER CONSIDERATIONS WASHINGTON OFFICIALS MIGHT
PROVIDE ON MATTER.

4. ACTION REQUESTED. EMBASSY WOULD APPRECIATE ANY
FURTHER INFORMATION DEPARTMENT CAN PROVIDE ON U.S.
LEGISLATION AND REGULATIONS THAT MAY APPLY TO THIS
TRANSACTION. SEC. 385.1 OF EXPORT ADMINISTRATION
REGULATIONS APPEARS TO LIMIT COMMERCE PRIOR APPROVAL
REQUIREMENT TO U.S. ORIGIN COMMODITIES OR TECHNOLOGY
ONLY. WOULD APPRECIATE CONFIRMATION THAT EXISTING
LEGISLATION AND REGULATIONS, INCLUDING EXPORT ADMINIS-
TRATION REGULATIONS, GOVERNING INVOLVEMENT OF U. S.
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FIRMS AND THEIR SUBSIDIARIES IN TRADE WITH VIET NAM
APPLY ONLY TO U.S. ORIGIN COMMODITIES AND TECHNOLOGY.
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